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CONFIDENTIAL

July 12, 1947

My dear Mr. Griswold:

1. You have been duly authorized to direct, under the guidance and instructions of the Secretary of State, United States activities within Greece in furnishing assistance to Greece under the Act to Provide for Assistance to Greece and Turkey, approved May 22, 1947, Public Law 75 - 80th Congress. In the performance of this function, you are authorized to exercise any power or authority conferred upon the Secretary of State by Executive Order No. 9857, dated May 12, 1947, which you deem necessary and proper to the effective carrying out of the provisions of the above Act and of the Agreement with the Government of Greece setting forth the general terms and conditions under which assistance is to be furnished.

2. You have on behalf of the United States supreme authority in Greece over all such assistance, both civilian and military. You will act as Chief of the American Mission for Aid to Greece, the headquarters of which will be at Athens, and you will direct the performance by the Mission of all activities and functions which you deem necessary and proper to carry out the provisions of the Act of May 22, 1947, and the Agreement with the Government of Greece. These activities and functions include the following:

a. You will determine and supervise programs of American aid to Greece, including the terms and conditions upon which aid is furnished, and will furnish advisory and other assistance to the Government of Greece to carry out the purposes of the Act of May 22, 1947, the note of the Greek Government of June 15, 1947, and the basic Agreement with the Greek Government.

b. You will cooperate with the Greek Government in promptly developing, and in promoting the effective

administration

The Honorable
Dwight P. Griswold
Chief of the American Mission
for Aid to Greece
In Care of the Department of State

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DEPARTMENT OF STATE A/CDC/MR
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administration of recovery and reconstruction programs which provide for effective development and use of Greece's own resources and of aid from the United States. Your approval will be required, in accordance with the note of the Greek Government of June 15, 1947, for expenditures of the Greek Government for activities which directly or indirectly involve the use of American aid and for the use of foreign exchange available to the Greek Government.

c. You will control all allotments of funds which the Secretary of State determines to be available for assistance to Greece under the Act, and will disburse any of such funds allotted to the Chief of Mission.

d. You will furnish full information to the peoples of the United States and Greece, consistent with the security of the two countries, concerning American assistance and the activities of the Mission and the Greek Government under the Agreement. This responsibility will include the making of arrangements with the Greek Government for observation and reporting by the press and radio of the United States, the publication of periodic reports by the Mission in Greece, and the preparation of basic material for inclusion in the reports of the President and the Secretary of State to the Congress.

e. You will observe performance by the Greek Government of its assurances in the Agreement and its note of June 15, 1947, including the implementation by administrative and legislative action of the recovery and reconstruction programs developed in cooperation with the Mission. You will suspend any or all assistance under circumstances in which you deem this to be required by the Act and you will report promptly any such suspension to the Secretary of State for final determination as to whether the Act requires withdrawal. Moreover, you are authorized to suspend any or all assistance and exercise any right of recapture to the extent you deem proper to carry out the objectives of the Mission.

3. You

3. You will report and be responsible to the Secretary of State and at all times keep him fully informed concerning all aspects of the Aid Program.

4. Subject to the general direction of the Field Administrator of the U.S. Foreign Relief Program, you will supervise and control United States relief supplies furnished to Greece under the Act Providing for Relief Assistance to the People of countries devastated by war, approved May 31, 1947, and the agreement with the Greek Government governing the furnishing of relief assistance. You will be responsible for integrating the relief assistance in Greece with the overall American aid program.

5. Your Mission will observe the use of any other financial, economic or material assistance furnished to Greece by the United States, either directly or indirectly through international organizations of which the United States is a member, and will advise and make recommendations to the Secretary of State concerning the proper coordination of such assistance with the American aid program. You will also consult with the Greek Government concerning its request for and proper utilization of any such assistance.

6. As the representative of the Government of the United States in Greece on matters relating to assistance furnished under the Aid Agreement and the Relief Agreement, you will maintain such relations and enter into such contracts, arrangements and agreements as are within the scope of your authority and as you deem necessary and proper to the performance of the functions of the Mission.

7. Your Mission will operate as an entity separate from the American Embassy in Greece, but the two should work in close collaboration. The United States Ambassador, as the accredited diplomatic representative of the United States, will continue to be in charge of the conduct in Greece of overall relations with the Government of Greece and will continue to have primary responsibility for all aspects of those relations which are not directly related to the activities of the Mission. He will advise you on

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the diplomatic and political aspects of your activities, and you will seek his counsel on such matters. You will keep him informed of the progress of the work of the Mission and its relations with the Greek or other foreign authorities. It is not believed possible to draw up in advance a formal definition of the respective responsibilities and spheres of action of the Ambassador and yourself; it is expected that you and he will establish a close, mutually satisfactory relationship, keeping in mind that the common objective of both is the furtherance of the policies laid down by the President and the Secretary of State.

8. You will maintain close informal contact with the British authorities in Greece, but shall not, without the approval of the Secretary of State, enter into any formal agreement concerning the relationship of the British military missions in Greece to the American Mission. You may, however, conclude such operating arrangements and agreements with the British authorities as will facilitate the American aid program, for example, in relation to the procurement of supplies or the use of British facilities, installations, and personnel in Greece.

9. The several sections of the Mission, including the military and naval sections, will operate at all times as integral parts of the Mission under your direction. In their day-to-day work it is expected that it will be necessary for them to have direct relations with officials of the Greek Ministries concerned with their particular fields. You will instruct the members of the Mission to refrain from discussing with Greek or other foreign nationals questions of a political nature not directly connected with the work of the Mission, and the Mission will decline to act as a channel of communication between any foreign authority and the United States Government with regard to such matters.

10. You will be guided, in carrying out the foregoing instructions, by the following general political, economic and financial considerations:

a. You will act in accordance with such policies as were announced by the President in his message to the

Congress

Congress on March 12, 1947, and as may be determined from time to time by the President or by the Secretary of State. The basic political objective of United States policy toward Greece in furnishing aid is to assure the survival of Greece as a fully independent, democratic nation. As a means to this end, the United States at the request of the Greek Government will assist Greece with the means presently estimated as necessary in restoring internal order and in establishing as soon as possible a self-supporting economy by laying the foundation for reconstruction and recovery through the development and effective use of Greece's own resources.

The policy of the United States with respect to the financial terms on which assistance is to be furnished to Greece are set forth in the report of the Senate Foreign Relations Committee on the Bill for Assistance to Greece and Turkey, as follows:

> "Assistance provided under this Bill for military purposes, being essential to our own security, and not in itself creating the wherewithal to repay, should be made as a clear grant. Financial assistance for current civilian consumption should also be a grant since such assistance would not directly produce capital assets. Repayment could be sought, however, when the direct effect of the financial aid is to create capital assets and the ability or the right of the receiving country to meet such obligations in foreign exchange. However, financial repayment obligations should not be established if there appears to be no reasonable prospect of repayment."

You are authorized to inform the Greek Government at your discretion that this is the general policy which will be followed by the United States Government in this respect. You will be responsible for recommending to the Secretary of State the financial repayment obligations that should apply to aid to Greece, in accordance with this general policy. Such recommendations should be made from time to time, but not less frequently than quarterly, and may relate to aid to be provided in the future or to aid already extended. After final determination of the

financial

financial repayment obligations by the Secretary of State, you will be instructed to inform, or effect appropriate agreement with, the Greek Government.

c. The use of funds made available for assistance to Greece should be supervised in such a manner as to assure that every dollar will count toward making the people of Greece self-supporting and not toward the special benefit of any particular group or faction. Accordingly, you should take all practicable steps (1) to prevent the dissipation of American aid, whether through diversion before reaching Greece, through being siphoned out of Greece after arrival, or through misdirection into improper channels within Greece, and (2) to assure effective controls over the development and use of Greece's own resources. Both types of measures are essential in order that the benefits of American aid will not be lost or offset through lack of controls or dissipation of Greek resources.

d. In keeping with the announced United States policy of strengthening the United Nations and other international organizations, you should give careful consideration to the use of their facilities in accomplishing the purposes of the Mission.

11. For your guidance there is also attached to these instructions a statement of suggested policies and programs in relation to the various aspects of the American aid program for Greece. You and your Mission will be expected to exercise your judgment fully with respect to changes in policies and programs as circumstances dictate, and to act on the basis of the fullest and most up-to-date information to which you and the Mission have access. You will, however, refer back to the Secretary of State for decision any questions specifically so indicated in the attached statement. You will also take into account the budget presentation made by the Department to the Congress in requesting an appropriation to carry out the Act of May 22, 1947.

The statement of suggested policies and programs referred to includes the following subjects:

1. Reconstruction Program
2. Agricultural Rehabilitation Program
3. Industry and Mining Program
4. Import and Export Programs
5. Relief and Welfare Program
6. Public Health Program
7. Labor Program
8. Training Program
9. Building and Civil Programs
10. Finance Program
11. Public Administration Program
12. Public Relations Program
13. Post War Administration
14. Inflation Controls
15. Use of United Nations and other International Organizations
16. Relationship of Mission to Political Problems

Additional statements will be furnished to you subsequently on other subjects.

Sincerely yours,

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1. RECONSTRUCTION PROGRAM

The objective of the reconstruction program is to help restore Greece's productive facilities which were destroyed during the war, so that normal production, distribution and commerce can be resumed.

In programming United States aid in reconstruction, primary consideration should be given to:

(1) Permanent reconstruction of important sections of roads in all parts of the country selected on the basis of traffic, population and availability of other transportation.

(2) Restoration of bridges and tunnels on the Athens-Salonika, Salonika-Gevgeli and Plati-Edhessa railroad lines.

(3) Supply of motive power and rolling stock for the present needs of the railroads.

(4) Necessary replacement of rails and ties on restored railroad lines.

(5) Restoration of essential facilities at the ports of Piraeus, Salonika and Volos in the order named.

(6) Restoration of the Corinth Canal, including high level bridge or bridges for road and railroad service.

(7) Restoration of flood control, drainage and irrigation works in the Salonika, Serres and Drama plains.

Other projects might also be undertaken in the fields of telecommunications, industries and mining, water supply and sewerage disposal, and housing.

The foreign costs of supplies and services necessary for reconstruction will be paid for with dollars from the United States aid and the local costs for supplies and labor will be paid for with drachma procured through the sale by the Greek Government of commodities imported for this purpose under the United States aid program.

2. AGRICULTURAL REHABILITATION PROGRAM

The immediate aim of the agricultural program is to increase the amount of agricultural products available for domestic consumption and foreign export and over a longer period to improve the means of agricultural production so that agriculture can contribute a maximum amount to the Greek economy.

Increasing the amount of food available can be done by importation of items such as fertilizers, seed and pesticides for current use; organizing food collections from Greek farms; distribution of food evenly over the whole population; furnishing of equipment and draft animals. Replenishing Greece's supply of foreign exchange through increased exports can be accomplished by removing impediments to export, standardizing quality of goods and intensifying efforts abroad to renew markets.

The rehabilitation program to improve agricultural production should include:

(a) Restoration of tools and equipment destroyed during the war, and provision of additional tools and equipment;

(b) Conservation and full utilization of water resources by repairing and completing public reclamation and irrigation projects and by repair and installation of irrigation facilities on individual farms;

(c) Protection of livestock by proper animal husbandry and veterinary measures;

(d) Providing plants and facilities for proper handling and processing of agricultural products;

(e) Introduction of modern methods and techniques through the use of research, technicians and instruction programs;

(f) Provision of adequate credit at reasonable interest rates;

(g) Restoration of the fishing fleet destroyed during the war, research into the proper methods to be used in Greek fishing, and instruction of fishermen in proper methods.

These short-term agricultural programs should be conducted with a view to any eventual changes of the role of agriculture in the total Greek economy which may be necessary.

5. INDUSTRIAL AND MINING PROGRAM

The primary objective of the industrial and mining program is to help restore the existing plants and mines of Greece to full production. The groundwork should also be laid for the improvement and development of industry to play the part in the Greek economy which it must if Greece is to become self-sufficient. Plans for industrial production should be realistic and emphasis in reconstruction and development should be on enterprises which are clearly feasible and sound from the standpoint of Greek labor, raw materials, market opportunities and power resources.

The [illegible] program in industry will consist, first, of advising [illegible] and industry on methods of restoring production and, second, of [illegible] how the available American assistance should be used in [illegible] industry.

The Industrial Section of the Mission should plan to work through the following proposed and existing agencies of the Greek Government:

(a) The proposed Industrial Production and Development Agency, which would have basic responsibility for immediate reconstruction of industry, current production problems and formulation of development plans. It would also be in charge of [illegible] controls such as inventory control and standardization controls which may be necessary for the Greek economy;

(b) [illegible] Reconstruction Board, which will weigh the urgency of the reconstruction needs of industry against those of other fields of the economy and determine where priority industry type reconstruction assistance should be extended;

(c) The proposed Foreign Trade Administration, which will pass upon the import needs of industry;

(d) The Currency Committee, which will be instrumental in formulating industrial credit policies;

(e) The agencies responsible for reparations claims and United States surplus property.

Since reconstruction and development of mining in Greece would require considerable sums of money, the initial objective of the Mission should be to determine which enterprises will yield an economic benefit to Greece. Particular care must be exercised, since the markets for minerals have changed considerably since Greece's mines were last in production.

4. IMPORT AND EXPORT PROGRAMS

The objective of the import program is the most effective use of Greek foreign exchange resources to meet the essential import needs of Greece. The export program is aimed at expanding exports to the greatest degree consistent with the internal requirements of the country. The longer range objective of both programs is to restore the Greek economy to a position where it can meet its foreign exchange expenditures out of its foreign exchange receipts. To achieve this position, production of Greek export products must be expanded; vigorous measures must be applied to prevent the speculative withholding of exportable goods; imports must be limited to items of the greatest benefit to the economy as a whole; and domestic production of items now being imported must be increased wherever economically feasible.

The import program should provide for goods of a type, in the quantity, and at the times needed, to meet only the essential food requirements of the Greek people and the reconstruction and rehabilitation needs of the Greek economy. An important consideration in the development of the import program should be the combatting of inflation.

Expansion of exports is vital to the attainment of Greek recovery. The country's traditional exports of tobacco, olive oil, dried fruits and minerals should be restored. The Mission should give continuous consideration to financial arrangements, trade agreements and other means to facilitate Greek exports. Effective remedies should be devised to overcome domestic factors that tend to limit exports, such as the unfavorable rate of exchange and the high cost of consumer goods to producers of export crops. The level of the exchange rate, while partly a financial matter, should also be considered as an export-import and supply program. The high cost of consumer goods to farmers may to a considerable extent be dealt with through increasing the import and domestic production of goods desired by farmers.

Measures undertaken for the reconstruction and rehabilitation of the Greek economy and for the reconstruction of Greek foreign trade should be developed so far as feasible in accordance with the American policy of fostering multilateral trade and of relaxing trade barriers.

The development and administration of the import and export program must be closely geared with the other programs of the Mission. Administratively, it will be formulated and controlled by the proposed Greek Foreign Trade Administration working in cooperation with other Greek economic agencies and the Mission.

5. RELIEF AND RELEASE PROGRAM

Public Law 84, 80th Congress, May 31, 1947, appropriated funds for the provision of relief assistance to the people of countries devastated by war. This relief assistance is limited to food, medical supplies, processed and unprocessed material for clothing, fuel, fertilizer, pesticides, and seeds. The U. S. Government has determined that the people of Greece are entitled to relief assistance under this Act of Congress. The needs of Greece will be considered in relation to the needs in other countries eligible for relief under the Act of Congress, and the type and extent of relief assistance to be made available in Greece will be determined by the Secretary of State after considering all factors. Relief furnished in Greece must be in accordance with the Public Law 84, and the Relief Agreement reached between the U. S. Government and the Greek Government.

The Act of Congress provides that: "There shall be established and maintained, out of the funds authorized under this joint resolution, a relief distribution mission for each of the countries receiving aid under this joint resolution. Such missions shall be comprised solely of American citizens who shall have been investigated as to loyalty and security by the Federal Bureau of Investigation. Such missions shall have direct supervision and control, in each country, of relief supplies furnished or otherwise made available under this joint resolution, and, when it is considered desirable by the field administrator provided for in section 4, such missions shall be empowered to retain supervision of relief supplies up to the city or local community where such supplies are actually made available to the ultimate consumers."

The Act of Congress further provides "that the President shall appoint by and with the advice and consent of the Senate, a Field Administrator who shall direct the supervision of such relief assistance... He shall act in accordance with the instructions of the President."

By Presidential Executive Order No. 9864, May 31, 1947, the Secretary of State is authorized "(a) to exercise the authority vested in the President by Sections 2, 3 and 4 of the Joint Resolution, excepting only the appointment of the Field Administrator pursuant to Section 4 of the Joint Resolution; (b) to take such other action not inconsistent with the authority reserved to the President as may be necessary for the provision of relief assistance in accordance with the terms of the Joint Resolution, including the making of such arrangements with the heads of other executive departments, agencies, and independent establishments of the Government as may be necessary and proper to carry out the provisions of the Joint Resolution; (c) to exercise the authority vested in him by the Executive Order, directly, through the Field Administrator or through such officers

and

and employees of the Department of State, including the Foreign Service, as he may designate on his behalf. The Executive Order of the President states that the Field Administrator appointed pursuant to Section 4 of the Joint Resolution shall act under the guidance and in accordance with the instructions of the Secretary of State."

The Field Administrator acting under the guidance and in accordance with the instructions of the Secretary of State will direct the supervision of the relief program in the field. He will plan and guide the relief assistance program in Greece in cooperation with you and the Relief Section of your Mission, who will supervise and control the relief supplies furnished to Greece.

The relief distribution mission in Greece will be attached to the American Mission for Aid to Greece and the head of the relief mission shall be responsible to and receive his instructions from the Chief of the American Mission for Aid to Greece. The employees of the relief mission will be an integral part of the American Mission for Aid to Greece and will have the same status and privileges and benefits as the members of the American Mission for Aid to Greece.

6. PUBLIC HEALTH PROGRAM

The principal public health objective of the Mission is the control of diseases so as to improve the Greek economy and prevent a further deterioration of its manpower. Projected health activities include:

(1) Measures for control of tuberculosis by providing several thousand beds for the isolation of open cases and an aggressive diagnostic program to detect early cases.

(2) Augmentation to the extent necessary, utilizing existing facilities, of the malaria control program begun by UNRRA and now conducted by the Interim Commission of the World Health Organization.

(3) Continuation of the public health nurse program begun by UNRRA, with emphasis on nurse education and raising the standards of the nursing profession.

(4) Improvement of the standards of public health practice in Greece by detailing experts in such fields as venereal disease control, tuberculosis control, public health administration, medical and dental education, nutrition and health education to the Greek Ministry of Health, often for periods of short duration.

(5) Cooperation with the Training Program of the Mission in the selection of Greek nationals for training in medical and allied fields in the United States and the assignment of United States citizens to Greece.

(6) Improvement of environmental sanitation, especially water and sewerage disposal.

(7) Health education, particularly in the fundamentals of sanitation and communicable disease control.

(8) Measures designed to correct the maldistribution of medical and public health services, which should include adjustments in the salary scale of public health personnel.

(9) Screening and the processing through established procurement channels of requests for medical supplies.

(10) The Public Health Section will represent the Mission in its relations with the public health activities of the Greek War Relief, Interim Commission of the World Health Organization, the various Red Cross organizations, and other national and international organizations and will consult with the Relief and Welfare Section concerning the medical aspects of the relief program.

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In developing the public health program due regard should be given the needs of the country as a whole, especially the villages which have been severely damaged by the war.

The staff of the Public Health Section should consist of such physicians, public health nurses, sanitary engineers, medical supply personnel, hospital administrators and other technical personnel necessary to implement this program. In addition to this immediate staff, persons experienced in various health fields should be made available to advise the Greek Government and the Chief of Mission on specific problems relating to the betterment of health conditions.

7. LABOR PROGRAM

1. The objective of the labor program is to help achieve effective utilization of the Greek labor force in order to promote economic recovery and reconstruction. Since the labor program is closely related to other activities of the Mission, the labor staff should work closely with other units of the Mission.

2. In fulfillment of the above objective, the Mission should, in the light of the circumstances existing in Greece, render advice and assistance designed to (1) improve the coordination of labor supply with manpower needs, (2) raise the level of labor productivity, (3) establish a balanced wage-price relationship, within the framework of a general anti-inflation program, (4) encourage the adoption of more efficient personnel practices and more effective employer-employee relations to stimulate production, and (5) encourage the development of a free, democratic and responsible labor movement devoted primarily to economic objectives.

8. TRAINING PROGRAM

The objective of the training program is to assure that a sufficient number of Greek civilians are trained in the techniques of modern government and technology so that these individuals may assume the increased responsibilities called for by the present crisis after the emergency aid of the Mission is withdrawn. This training must be carried out both in the United States where the facilities and supervisory personnel can provide maximum training under optimum conditions, and in Greece under the supervision of United States technicians where Greek nationals can be trained at least expense and concurrently with the operation of various aspects of the rehabilitation work. If Greece is to stand on her own feet at the end of the period of American assistance and technical advice, civil servants must be trained in the key phases of government and agricultural, professional, and industrial workers must be given modern techniques.

The specific fields of training planned for at present include the training in the United States of not to exceed 180 persons in the following fields: Government administration, including budgetary practice, tax, and fiscal matters and civil service administration; the various branches of Agriculture, including work at field stations and with the Extension Service; labor statistics and labor standards, including industrial safety and health and labor supply distribution; public health and nursing, including medicine, dentistry, malaria and tuberculosis control; engineering, mining, and fishery techniques and land reclamation; on-the-job training in industry; public roads and public buildings administration and development. The training indicated would be carried out, for the most part, under the direct supervision of the technical agencies concerned and the selection of all such trainees would be based on selection and screening in the field by the Mission through the training advisor and subject matter specialists attached to the Mission.

The training in Greece would be principally in the fields of agriculture and public health and sanitation. The actual supervision of the training would be under the direction of American specialists assigned to the Mission and utilizing the services of the necessary Greek nationals to assist in such training. Under the training program assistance should also be provided to the American Farm School and certain other American schools in Greece as recommended by the Mission for the training of young Greek nationals in modern farm and extension work and to train young Greeks in clerical, stenographic, and accounting practices necessary to the daily operations of government.

9. MILITARY AND NAVAL PROGRAMS

The objective of the military program is to provide Greece with the means to restore internal order. At present the chief obstacles to internal peace are the guerilla bands. Therefore, the main effort of the Greek armed forces should be directed against the guerilla bands, and our military supplies should support this effort.

Initially, the strength of the armed forces contemplated when the bill for assistance to Greece and Turkey was considered should be accepted as the maximum strength to be supported. These limits are:

Army	120,000
Gendarmerie	23,000
Air Force	5,000
Navy	12,000

No program of expansion based on an increase of the armed forces of Greece beyond these limits will be agreed to without prior approval of the Secretary of State. The United States Government has concurred in a decision of the Greek Government to increase the strength of the Army by 20,000 for a period of about three months. Should conditions cause you to consider any permanent increase desirable you will submit recommendations to the Secretary of State, but no encouragement should be given to officials of Greece that might cause any of them to anticipate approval of an increase.

The objective of the naval program is to strengthen and make more effective the Greek Navy, which is used primarily to clear coastal waters and harbors of mines, to support land operations by transporting troops and supplies, and to patrol the Greek coast and harbors for security purposes.

A full and complete record should be kept of the military and naval assistance of every character given to the Greeks and to the extent practicable there should be observation of the manner in which this military assistance is utilized by the Greeks.

Care should be exercised that the personnel of the Mission do not become involved in military combat action of any character.

The Senior Army and Navy members of the Military Advisory Group are authorized by the War and Navy Departments to attend meetings of the Greek General Staff in an advisory capacity only providing they are extended an invitation for the same.

control all
Greek governmental outlays and approve all foreign exchange
transfers.

2. Other measures to expand Greek exports.

(a) Negotiable termination of export-aid trade with soft currency countries, utilizing bilateral agreements where necessary;

(b) Removal of the embargo on olive oil exports;

(c) Reduction in domestic levels of exportable commodities by such measures as taxes and other penalties on hoarding, sale of speculative goods.

3. Measures to increase Greek foreign exchange earnings.

(a) Exploration of possible means of stimulating tourist trade;

(b) Possible acquisition of additional ships directly by the Greek government for charter purposes;

(c) Exploration of measures to stimulate emigrants' remittances.

4. Possible use of balances of the Greek Foreign Exchange Control.

Measures to prevent capital exports from Greece and to bring foreign exchange earnings and holdings of Greek residents under control will include:

1. Registration of ownership and other data on private securities;

2. Possible establishment of a system of financial censorship to control capital remittances and prevent illicit capital exports. Because of the possible adverse political implications of such a measure, the Mission should not recommend this step to the Greek Government without the concurrence of the Ambassador.

3. Adequate inspection of banks and financial institutions for enforcement.

4. Measures to ensure that the maximum practicable proportions of earnings on ships owned by Greek residents or under Greek flag are surrendered to the Greek Foreign Exchange Control;

5. Considering

f. Considering requiring all dealers to report gold, foreign exchange holdings, and arrangements abroad. Possibly requiring that sales of all or a portion of such assets be to the Foreign Exchange Control.

g. Publicizing the contribution to the Greek economy of its foreign exchange expenses.

The Mission should supervise the allocation of all foreign exchange available to Greece and check that the actual disposition of foreign exchange is in accord with the plans. Some specific recommendations are:

a. The importation of luxury goods must be eliminated.

b. Foreign tourists must not be allowed excess drachmas when they depart.

c. The sale within Greece by official agencies of gold for any purpose must be eliminated; any purchases of gold from private holdings should be at prices approved by the Mission with due regard to the inflationary impact of the drachma components.

d. Import licenses should be withheld from importers who have imported goods and other penalties should be imposed on persons violating the letter or spirit of the regulations.

e. Ensure the availability of customs personnel sufficient, appropriately compensated and trained to give to the possibility of using general licenses to authorize specified types of transactions.

f. To eliminate excessive profits on imports which are currently obtained at an outlay in drachmas far below current prices in Greece, the Mission should consider the adjustment of tariff duties and explore measures to increase the effectiveness of tax collection.

II. Internal Finance

The objective must be to create stability in drachma prices so as to permit the drachma, rather than gold coins, to perform the monetary role of providing an effective incentive to thrift, saving and fairness in produce and sold goods. Until this is achieved, production and employment will be lower than resources would permit. To overcome existing serious psychological obstacles and create confidence in Greek currency it will be necessary not only to

demonstrate

demonstrate that effective measures are being taken immediately to stabilize the value of the franc but also to create a firm belief that such measures will continue after the end of the present year. Essential steps include the following:

A. Problem of anti-inflationary policy.

In carrying out the program it is essential that:

1. Distribution to bakers prevent hoarding or undue profiteering of such commodities;

2. Distribution to [illegible] and other bulk consumers be strictly limited;

3. [illegible]

4. [illegible]

Migrant controls should be established to ensure elimination of excess and speculative purchases and hoarding and to direct credit into productive channels. This will require closer supervision of private banks.

5. [illegible]

Effective collection of all government revenues and expenditures should be facilitated to aim at the maintenance and reinforcement of budgetary equilibrium in a shorter period of time at considerably lower [illegible] than [illegible]. It would thus [illegible] to [illegible] to provide [illegible] the [illegible] to [illegible] for increased [illegible] personnel, the payment of arrears to insured of agencies of the Greek Government. The minimum amount to be raised by ordinary measures and the ordinary deficits in each period. Definite permission should be required for the eventual limitation of military expenditures to a reasonable level and for priorities of other specified classes of expenditures to be determined by the Minister from the heads of Appendix Votes by the Treasury. As the [illegible] and [illegible] budget programs should be prepared for the succeeding [illegible] and to stabilize them. Other desirable steps include:

(a) Advance publication of the proposed budget quarterly [illegible] all government expenditures) and use of this publication as an effective limitation on expenditures;

(b) Improvement of audit and accounting system;

(c) Reform of the civil service and of the system of pay and allowances.

allowances of public employees, with exploration of the possibility of establishing government stores to sell incentive goods only to civil servants and workers on public construction jobs.

D. Taxation and other revenues.

In order to achieve budgetary balance and stability in the shortest possible time, the rehabilitation of the national and local revenue system should be undertaken by all necessary means including:

(a) The elimination of widespread tax evasion and the improvement of tax enforcement, including compulsory taxation of real property and commercial enterprises, maintenance of prescribed accounts, and the imposition of adequate penalties for tax violations; and

(b) In the event of a stabilization policy in the field, modernization of the administration and the use of all practicable sources of revenue with the fullest regard for the principle of ability to pay, including revision of the tax system to eliminate unproductive taxes, simplification of the tax structure, reallocation of sources of revenue between national and local governments, and increases of total revenues from all practicable sources, including upward revision of the income tax, particularly on professional competitive and commercial enterprises.

E. Direct efforts to stabilize prices, wages and the cost of living.

To divert available goods into the most needed or productive channels and to increase domestic production and sales, the following steps are considered desirable:

1. Rationing essential consumption goods (imports and, where possible, domestic production) to stabilize living costs;

2. Allocation of fuel, raw materials, and other non-consumption goods, and withdrawing allocations from producers and distributors who hoard;

3. Special taxes and other penalties on hoarding and/or excessive inventories;

4. Providing incentive goods to farmers, producers and suppliers in return for their sale of cost-of-living items to urban workers;

5. Direct action to control prices, rents the cost of living, and wage rates, where such controls will be effective rather than nominal.

III. PUBLIC ADMINISTRATION PROGRAM

The reports of the foreign and international missions which have studied various aspects of the Greek situation in the past year have emphasized that a reorganized and strengthened Greek Government is a basic prerequisite to the rehabilitation of the country's shattered economy. These missions have indicated that, if foreign assistance is to be used to maximum effectiveness and if a stable, democratic government is to exist after the British, American, and international organizations have withdrawn their support, the following areas of Greek public administration most urgently require attention:

1. The Civil Service - The Greek Civil Service is reported to be underpaid, over-expanded, and demoralized. Development of a merit system for appointments and of a personnel classification system are recommended, as well as installation of training programs, general revision of pay scales, reduction in total numbers of civil servants and lengthening of the work week.

2. Budget and Fiscal Procedures - Budget preparation, formulation and execution is generally haphazard and final budgets are compiled without regard to the ability of the tax structure to provide the necessary revenues. Expenditures not authorized in the budget are effected by decree.

The accounting methods of the Ministry of Finance are antiquated, and there are resulting slowdowns in the maintenance of necessary accounts. The Ministry of Finance's supervision of expenditures by the several ministries and agencies is weak. If the government's budget is to be an effective instrument of fiscal planning and control, the administrative processes and efficiency of the Ministry of Finance must be improved and the accounting procedures of the entire government revised.

3. General Governmental Structure of the Government - The Greek Cabinet now includes at least twenty-three ministries, in addition to several Governors General. This number appears excessive and a thorough study of the organization and functions of the ministries should lead to consolidation and more effective and economical operation. Mechanisms for central control of administrative and policy decisions, for interdepartmental coordination, and for central statistical reporting also seem to be required.

4. Administration of Local Government - Because of the highly centralized nature of the Greek Government, many local governmental services such as gendarmerie, police, education and relief are mainly administered by the central government out of national funds. More effective governmental operations at the local, as well as the national level, will be required.

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The basic task of the Public Administration Section will be to diagnose the administrative difficulties in the Greek Government which impede Greek reconstruction and recovery, and to assist the Greek authorities and other sections of the American Mission in remedying them. The section will make arrangements for the contemplated special missions on civil service, governmental organization and methods, and budget and fiscal administration, participate in the work of these temporary missions, and follow through in the implementation of the recommendations made by them. They will also develop and put into operation programs for training Greek personnel in public administration. In addition, they will recommend to the Chief of Mission, U.S. personnel who may be engaged for key public administration posts in the Greek Government.

2. PUBLIC RELATIONS PROGRAM

The main objectives of the public relations program are to make known the aims and policies of the United States in implementing the Greek Assistance Program and to make available to the public full and factual information about the plans and work of the American Mission in Greece.

The Mission's program cannot succeed without the support of world public opinion, and particularly public opinion in the United States. A sound and well executed public relations program can do much toward winning such support.

The content of the Mission and the policies on which they are based should be fully and objectively presented to three broad categories of people: (a) the Greek people; (b) the American people; and (c) the other peoples of the world.

All available media including press, radio, films, exhibits and literature should be used. Existing facilities of the United States Information Service should be utilized where practicable. The Public Affairs Officer of the Embassy and the Chief of the Public Relations Section of the Mission should cooperate to the utmost to attain the public relations objectives of the Mission.

Every effort should be made to develop and maintain friendly and constructive relations with the press, and particularly the American press. The correspondents in Greece should be given a maximum of cooperation in carrying out Mission's work.

13. MISSION ADMINISTRATION

This subject will be covered by regulations to be approved by the Chief of Mission and issued by the Secretary of State.

14. MISSION CONTROLS

The Legislative History of the Act of May 22 strongly emphasizes the intention of the Congress, and of the Executive that American personnel shall exercise close supervision over the use of American aid and the use of Greece's own resources, consistent with Greek sovereignty, in order that the greatest possible progress toward lasting recovery and reconstruction in Greece may be achieved during the period of American aid.

To this end, the American Mission will wish to exercise numerous controls, among which the following are preeminent:

1. Fund Controls.

a. Direct disbursement of all United States funds, except to the extent that disbursement by the Greeks is necessary in the accomplishment of objectives of the Mission (as in the field of foreign trade) and can be subjected to effective controls.

b. Control of the expenditure of Greek funds for activities directly or indirectly involving the use of United States aid.

c. Control of the use of all Greek foreign exchange.

2. Supply Controls.

a. Establishment of points of transfer and delivery of supplies procured by United States Government agencies which will permit the mission effectively and economically to account for or to assure an accounting for all such supplies distributed in Greece.

b. Retention of the right of recapture with respect to civilian supplies and possibly with respect to special military items.

c. Distribution controls to help assure equitable distribution of supplies and eliminate unreasonable profits.

3. Administrative Controls.

a. Use of the Servicio in non-political programs such as reconstruction, agricultural rehabilitation, public health and training.

b. Cooperation

b. Cooperation with the Greek Government in drawing up programs and measures for effective development and use of Greek resources and effective administration of United States aid, and supervision of the execution of such programs by the Greek Government.

c. Recommendation to the Greek Government of American and other foreign experts for technical and supervisory administrative positions in the Greek Government.

15. Use of United Nations and Other International Organizations

NOTE: Deviations from the policies indicated below are to be cleared with the Secretary of State.

1. The facilities of international organizations should be used as far as possible to complement U.S. actions, and in determining whether U.S. facilities or those of international organizations should be used in particular instances, the important political objectives mentioned below should be considered along with operating factors.

2. Specifically the Mission should:

a. Proceed on the understanding that its economic work may be taken over ultimately by a UN Mission along the lines recommended in the FAO report;

b. Make every effort to encourage and assist the preparation by the Greek Government of detailed reconstruction and development projects which might qualify for loans from the International Bank;

c. In the light of the objectives set forth below consideration should be given to making use of personnel, facilities, or material from other countries, and particular attention should be given to full publicity and equal opportunity in respect of concessions granted under Greek law.

3. These recommendations are designed to achieve the following vital objectives:

a. Provide useful assistance in restoring the Greek economy and maintaining Greek independence and territorial integrity.

b. Implement the announced United States policy of strengthening the United Nations and other international organizations and making maximum use of their facilities.

c. Effectively demonstrate to the public and to Congress that the United Nations is being utilized insofar as possible.

d. Maintain

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16. Relationship of the Mission to Political Problems

The external and internal political problems of Greece are of direct concern to the U. S. Embassy in Athens. The American Ambassador will continue to be in charge of the conduct in Greece of overall relations with the Greek Government. Close collaboration will be established between the Mission and the Embassy. The Ambassador will advise and consult with the Mission concerning political aspects of its activities. Specifically, the judgment of the Ambassador should be the principal determinant in the formulation and presentation of U. S. policy concerning the composition of the Greek Government, the timing of elections, and the amnesty of political prisoners.

The conduct of the Mission personnel is of prime political importance. The political situation in Greece is critical. Views expressed by any member of the Mission will be understood as those of the U. S. Government. All Mission personnel should avoid public comments of a critical nature with respect to internal Greek politics and refrain from making charges against Greek Government officials except through established channels. Similar care should be exercised with regard to the expression of views concerning British activities in Greece.